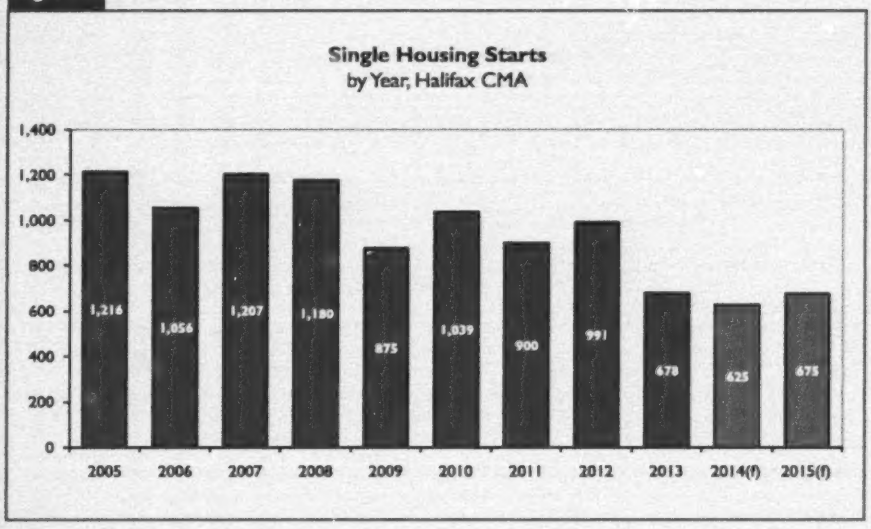
Figure 2



Source and Forecast: CMHC

New Home Market: Construction Activity to Slow

Favourable borrowing conditions are expected to continue, yet total housing starts over the forecast period will remain below the ten-year average of 2,444 starts recorded in the Halifax Census Metropolitan Area (CMA). Housing starts are forecast to total 2,250 units in 2014 and 2,110 units in 2015. It is expected that single-detached home starts will remain nearly flat over this period and that multiple-unit starts will slow from the above average construction levels witnessed since 2010. Over the forecast period, multiple-unit starts will make up the lion's share of all starts for a fourth year in a row.

The pace of single-detached home starts decelerated considerably in 2013 with just 678 starts. Expect this slower pace to continue in 2014 and 2015 with 625 and 675 single starts respectively. In the absence of significant economic growth prospects, combined with a shifting demand toward apartment style rental units, and a slow resale market, the construction of new homes will remain relatively flat for the next two years and approximately 30 per cent below the ten-year average.

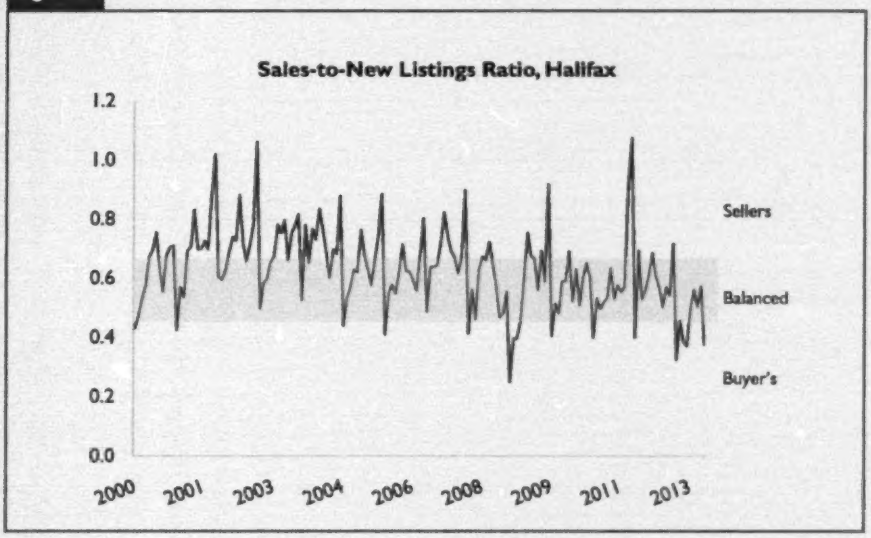
Although the pace of new home construction slowed throughout the Halifax Regional Municipality (HRM), submarkets located in the center and on the periphery recorded starts levels comparable to their ten-year average while suburban submarkets recorded fewer starts. For example, while single-detached starts receded by seven per cent in Halifax City and increased eight per cent in Halifax County East, starts pulled back 49 per cent in Bedford-Hammonds Plains and 41 per cent in Fall River-Beaver Bank. It is suggested that the double-digit price gains for an absorbed single-detached home recorded year-after-year between 2002 and 2008 gave rise to a housing stock consistent in style, focussed on larger homes with above average finishes and above average prices.

Starts and absorption levels in these two sub-markets lagged behind in 2013 and the first quarter of 2014. Single-detached homes located on the periphery, however, had an edge as they offer a less expensive product while homes in Halifax City are available to higher average income earners. Expect a similar trend to continue in 2014 and 2015, as prospective homebuyers in search of a new home look to the periphery of the HRM for buying opportunities. Coincidentally, the average price of a single-detached home is expected to return near the levels recorded in 2012 at approximately $425,000.

Absorption rates of new housing in the Halifax CMA remained relatively stable year-over-year in 2014 compared to the last quarter in 2013. The inventory of completed and unabsorbed new housing units, however, rose during the last three quarters of 2013. Inventories rose 75 per cent year-over-year for single-detached homes, semi-detached and townhomes, standing at 163 available units. The inventory levels should diminish as the year unfolds due primarily to the lower construction activity levels recorded in 2013 and expected to continue during the forecast period.

Multiple units are expected to record starts levels above the ten-year average during the forecast period, albeit the pace of construction is expected to slow. Favourable borrowing conditions coupled with below-average vacancy rates in newer structures provide a window of opportunity for developers of purpose built rental units to break ground on projects across the HRM. Having said that, expect a growing

Figure 3



Source: Nova Scotia Association of REALTORS®
MLS® is a registered trademark of the Canadian Real Estate Association

share of multiple-unit starts to be condominium units with a number of projects expected to begin construction on the peninsula of Halifax and in Dartmouth City.

Whereas purpose-built rental units tend to be found throughout the entire landscape of the HRM, expect the majority of condominium units to be located in the downtown area within walking distance of most amenities and services. Another key contrast is the clientele served: while the purpose-built rental units cater with much success to an older tenant base, the price points and unit sizes of condominium units target a wide customer base including first-time homebuyers, urban professionals, and older couples who elect to downsize.

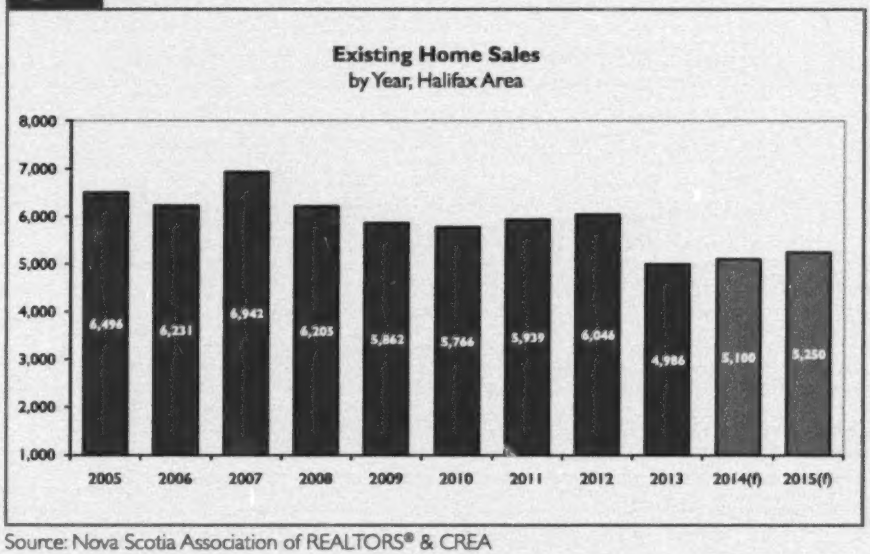
Buyer's Market Conditions to Prevail

Buyer's market conditions will prevail over the forecast period with little change expected compared to the performance of the resale market in 2013. Precisely, most submarkets in the HRM have been in buyer's market conditions since the third quarter of 2012, with the exception of a few pockets in Dartmouth and the peninsula of Halifax, which have remained in balanced market conditions.

Reduced sales volume and elevated listings recorded last year are continuing in 2014 and setting the trend for the upcoming quarters. In 2014 and 2015, sales are expected to pick up the pace slightly and grow two and five per cent respectively, as prospective homebuyers still have the flexibility to be more selective on the location and amenities included in a home. The resale market slowdown could incite prospective sellers to renovate and add features to a resale home, yet the return on investment may be limited by the overall dampening effect on home price.

The distribution of home sales by price range has changed little over the past four years, suggesting that homebuyers' preferences have not resulted in inflationary pressures for specific segments of the housing market. Thus, even though the market is expected to remain slow, price growth is expected to remain positive over the forecast period. While the average sale price of a resale home trended upward to just

Figure 4



Source: Nova Scotia Association of REALTORS® & CREA
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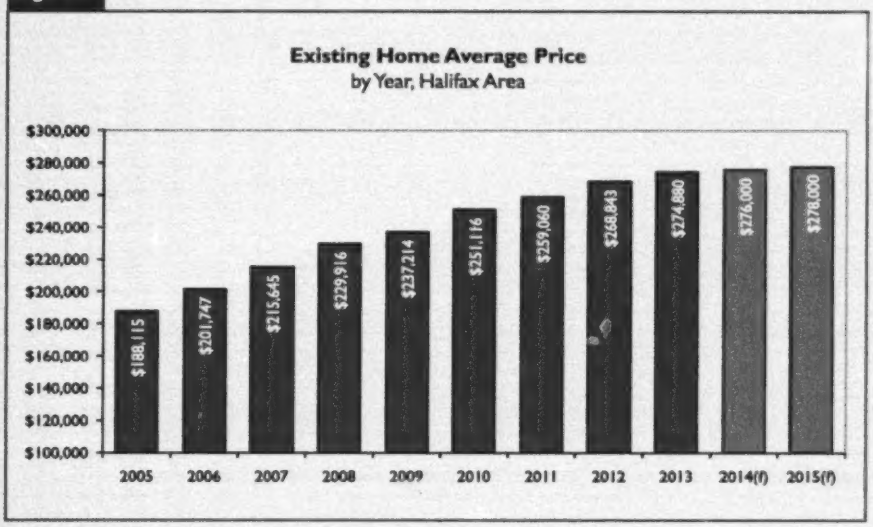
Forecast: CMHC

Figure 5



Source: Nova Scotia Association of REALTORS® & CREA
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Forecast: CMHC

over $274,880 in 2013 and is forecast to reach $276,000 in 2014 and $278,000 in 2015, this level of growth is slightly below the inflation rate of 1.1 per cent as recorded by Statistics Canada in February 2014.

Except for a few months during the past 2 years, rising inventory levels in relation to the sales activity have exerted downward pressure on the sales-to-new listings ratio to below the 0.45 mark – a trend indicative of a buyer's market. The slower market has not deterred prospective sellers to test the market by listing their properties. New listings are expected to ramp up in late spring, and may reach the 4,200 mark recorded between May 2013 and September 2013. Sellers who were unsuccessful in getting offers last year have mostly opted to withdraw their properties off the market rather than sell at a discount. It is expected that those same properties may return to market this year.

Completions of Rental Units Pushing Up Vacancy Rate

The rental apartment universe grew by an average of 575 units per year between 2007 and 2011. Demand more than offset the new supply of units during that period as the vacancy rate fell by a full percentage point. As a result, a lower than average vacancy rate and favourable borrowing conditions provided necessary ingredients to set the trend for the expansion of purpose built rental apartments. In fact, 2011 was the first of consecutive years to record starts levels 50 per cent above the ten-year average. With construction schedules often spanning over 24 months, these new starts have just begun to come to market in 2013 and 2014. The result being that the apartment universe has begun to expand at a greater rate and exert upward pressure on the vacancy rate. Approximately 1,700 units reached completion in 2013, and with currently over 2,000 units under construction it is expected that completion levels will remain above the ten-year average during the forecast period with approximately 1,400 completions in both 2014 and 2015.

Interest for rental units is expected to remain strong over the forecast

Figure 6

Source and Forecast: CMHC

period, yet the supply of new units will more than offset aggregate demand. Expect the vacancy rate in the HRM to inch upward to 4.3 per cent in 2014 and 4.6 per cent in 2015. Local market intelligence reveals that owners of newer structures currently are experiencing longer leasing periods, further suggesting that the vacancy rate will tick upward.

Despite these challenges, over time newer structures have year-after-year reported below average vacancy rates and above average rent levels. The quality of finishes and onsite amenities set newer units apart from the rest of the rental stock. Given that an increasing number of renters is upwardly mobile and opt for apartment living as a lifestyle choice, it is expected that the vacancy rate may rise in some of the structures built prior to 2000. In fact, units built in the 1980-2000 period did not offer spacious rooms and high-end finishes, and they may face competition from some of the larger, newer units in the market. Nonetheless, the number of completions of rental units across the HRM will push upward pressure on the vacancy rates across all geographies and price ranges.

The average rent is expected to remain relatively stable over the forecast period in line with current expectations for the price growth of the resale market. Expect the average rent for a two-bedroom unit to reach $995 in 2014 and $1010 in 2015. The rental market will remain a competitive housing option for those wishing to downsize, as the locations and amenities rival condominium homeownership, while financial obligations for a rental unit remain lower than homeownership.

Economic Trends: Job and Population Growth Remain Slow

Population growth in the Halifax CMA has been driven almost exclusively by migration in recent years. Numbers for 2013, however, suggest a notable deceleration in the number of migrants establishing themselves in Halifax. Net migration recorded at the end of 2013 stood at 551 migrants, underscoring migration levels similar to the early 2000s, a period of significant out-migration to Western Canada. As a result, the population of the Halifax CMA grew last year approximately 0.4 per cent or 1,799 people. Migration is expected to remain within the range recorded in 2013, yet contributing minimally to household formation in the Halifax CMA.

The economy of Nova Scotia is expected to record one per cent growth in 2014. Economic growth throughout the province will largely be influenced by the performance in Halifax, where a weaker Canadian dollar is expecting to create opportunities in the manufacturing and tourism sectors and contribute to employment growth of 0.5 per cent in 2014 and one per cent in 2015. The employment gains recorded in recent years have largely been in the part-time sector; in 2013, a greater share of jobs was created in the full-time sector while the part-time sector receded. The employment growth, however, was insufficient to have an effect on the unemployment rate which remained at 6.4 per cent.

Increases in full-time positions are a key driver to help stimulate housing demand, as they often provide the security and stability required for individuals to access credit. Expect employment growth in the Halifax CMA to remain modest over the forecast period, with growth stemming from manufacturing and the site preparation associated with shipbuilding activities.

Real wages in the Halifax CMA increased in 2013, but curtailed during the first three months this year. Nominal earnings climbed modestly by 1.7 per cent in 2013. With the consumer price index at 1.2 per in 2013, the effective real wage growth in Halifax in 2013 was 1.2 per cent. Increases in earnings adjusted for inflation impact housing demand by increasing the amount of choice a consumer has. A consumer with more discretionary income has more housing options available and may elect to consume more housing by renting a more expensive unit, move into homeownership or invest in the housing market. Yet, the most recent trend suggests that individuals may be spending their discretionary income on retail goods, as retail sales in the province climbed from $1,090 million in January 2013 to $1,152 million in December 2013, a 2.3 per cent increase.

Mortgage Rates to see Gradual and Modest Increases by the end of 2015, but will Remain Low by Historical Standards

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to register gradual and modest increases by the latter part of the 2015 forecast horizon. This will lead to increases in mortgage rates. Despite this, mortgage rates will remain low and will continue to support housing

market activity over the forecast horizon.

According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be within 3.0 per cent to 3.5 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.0 per cent to 5.5 per cent. For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.0 per cent.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Short term mortgage rates are expected to remain at historically low levels which will continue to support housing demand.
Employment	Employment in Halifax CMA has been relatively flat over the past five years, with employment levels at an average of 222,400 as of March. A moderate decrease in employment levels was recorded in the first three months of 2014. Employment levels continue to remain stable and support housing demand.
Income	The increase in the average weekly earnings in Halifax CMA was above the rate of inflation in 2013. The increase in discretionary income stimulates housing demand.
Net Migration	Out-migration throughout Nova Scotia has trended upward in 2013, exerting negative pressure on housing demand. However, minimal gains in the Halifax CMA contribute to driving housing demand.
Natural Population Increase	Overall population growth in the Halifax CMA is moderate and will impact housing demand moving forward.
Resale Market	Resale market conditions in Halifax CMA are expected to remain in the buyer's market category due to lower sales and higher inventory levels.
Other	The awaited shipbuilding activity is taking shape and will contribute to stimulating housing demand in 2014.

Forecast Risks

This outlook is subject to some risks, including:

- Significant declines in international immigration could limit demand over the forecast horizon.
- A stronger than expected U.S. economic recovery or stronger growth in emerging countries could positively impact Canadian economic growth, contributing to a higher level of activity in Canada's housing market.
- Recent levels of housing starts are expected to impact the level of inventory in the short term. Should the inventory increase faster than expected, builders may delay or reduce the size of some housing projects. This could lead to a sharper-than-expected moderation in housing starts.
- Elevated levels of household debt and house prices in some urban centres have made the country's economy more vulnerable to some economic shocks. If interest rates or unemployment were to increase sharply and significantly, some of the more heavily indebted households could be forced to liquidate some of their assets, including their homes. This could put downward pressure on house prices and, more generally, on housing market activity.
- Recent levels of apartment starts are expected to impact the vacancy rate further in 2013 and 2014. If the vacancy rate increases faster than expected, construction projects could be delayed.

Forecast Summary Halifax CMA Spring 2014							
	2011	2012	2013	2014f	% chg	2015f	% chg
New Home Market							
Starts:							
Single-Detached	900	991	678	625	-7.8	650	4.0
Multiples	2,054	1,763	1,761	1,625	-7.7	1,450	-10.8
Semi-Detached	170	190	120	175	45.8	180	2.9
Row/Townhouse	160	136	167	150	-10.2	170	13.3
Apartments	1,724	1,437	1,474	1,300	-11.8	1,100	-15.4
Starts - Total	2,954	2,754	2,439	2,250	-7.7	2,100	-6.7
Average Price ($):							
Single-Detached	400,405	426,885	396,929	425,000	7.1	440,000	3.5
Median Price ($):							
Single-Detached	360,000	379,900	364,450	380,000	4.3	400,000	5.3
New Housing Price Index (% chg.)	1.7	2.2	2.6	2.5	-	2.5	-
Resale Market							
MLS® Sales	5,947	6,051	4,972	5,100	2.6	5,400	5.9
MLS® New Listings	10,160	10,336	10,450	10,550	1.0	10,700	1.4
MLS® Average Price ($)	259,235	268,987	272,893	276,000	1.1	278,000	0.7
Rental Market							
October Vacancy Rate (%)	2.4	3.0	3.2	4.3	1.1	4.6	0.3
Two-bedroom Average Rent (October) ($)	925	954	976	995	-	1,010	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.50	-	3.20 - 4.25	-
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	223,900	225,100	227,300	228,400	0.5	229,600	0.5
Employment Growth (%)	1.3	0.5	1.0	1.0	-	0.5	-
Unemployment rate (%)	6.0	6.1	6.6	6.6	-	6.4	-
Net Migration	4,755	3,139	551	900	63.3	1,200	33.3

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Nova Scotia Association of REALTORS®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

** Percent change > 200%

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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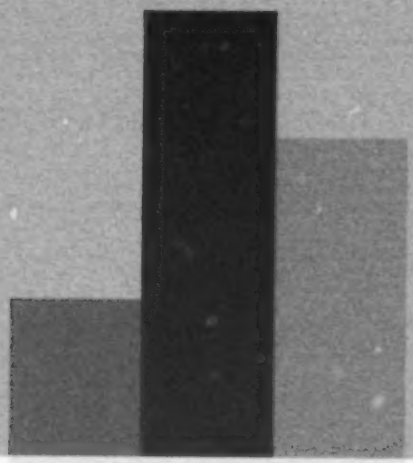

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- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
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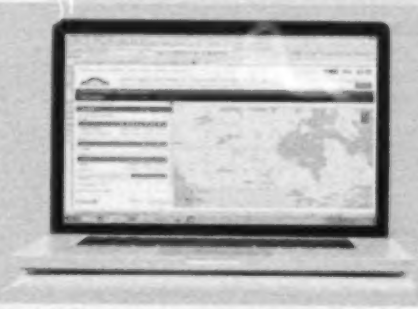

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